

VZCZCXYZ0000  
RR RUEHWEB

DE RUEHME #0630/01 0531552  
ZNR UUUUU ZZH  
R 221551Z FEB 10  
FM AMEMBASSY MEXICO  
TO RUEHC/SECSTATE WASHDC 0543  
INFO RHEBAAA/DEPT OF ENERGY WASHINGTON DC  
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUEHME/AMEMBASSY MEXICO

UNCLAS MEXICO 000630

SENSITIVE  
SIPDIS  
SIPDIS  
STATE FOR WHA/MEX, WHA/EPSC  
STATE FOR EEB  
USDOC FOR 4320/ITA/MAC/WH/ONAFITA/GWORD  
TREASURY FOR IA  
ENERGY FOR WARD, LOCKWOOD AND DAVIS

E.O. 12958: N/A  
TAGS: [ECON](#) [EFIN](#) [ETRD](#) [ENRG](#) [ELTN](#) [EAIR](#) [PGOV](#) [SENV](#) [MX](#)  
SUBJECT: Mexico Economic Weekly - February 19, 2010

¶1. (U) The Mexico Economic Weekly supplements reporting from Mission Mexico Consulates and the Embassy Mexico Economic Section to provide a sense of ongoing trends. Please contact Adam Shub (shubam@state.gov) or Sigrid Emrich (emrichs@state.gov) for questions or comments about this report.

¶2. (U) Table of Contents:

ECONOMY AND FINANCE:

-----

FINANCE MINISTRY REVISES GROWTH PROJECTION UPWARD - Mexico City

NUEVO LEON, FOURTH HIGHEST TOTAL UNEMPLOYMENT - Monterrey

SECURITY AFFECTING JOB CREATION - Monterrey

NUEVO LEON EXPENDITURES EXCEED 2009 BUDGET - Monterrey

FUNDS FOR PUBLIC SAFETY LEFT UNUSED - Monterrey

TRADE AND INVESTMENT:

-----

WIDOWS AT PASTA DE CONCHOS SUE GRUPO MEXICO IN ARIZONA - Mexico

City

FDI FLOWING INTO NUEVO LEON - Monterrey

ENERGY AND ENVIRONMENT:

-----

MEXICO TO STUDY REALIGNING TAX SYSTEM TO ENCOURAGE GREEN PURCHASES  
- Mexico City

LABOR:

-----

STAND-OFF IN CANANEA CONTINUES - Hermosillo

-----

ECONOMY AND FINANCE

-----

13. (U) FINANCE MINISTRY REVISES GROWTH PROJECTION UPWARD: The Finance Secretariat raised its 2010 GDP growth forecast to 3.9% from 3.0%, citing indications of recovery in domestic and international demand, after the Bank of Mexico (Banxico) -- which estimates that GDP contracted 6.8% last year -- last month increased its growth forecast for this year to 3.2-4.2%. Deputy Finance Secretary Alejandro Werner earlier this month signalled that the growth forecast could be increased, depending on economic data. Since then, the national statistics institute (INEGI) has reported that industrial production rose 1.6% year-on-year in December -- the first increase since April 2008 -- with manufacturing growing 4.3% year-on-year. Automotive output in particular is driving the rebound -- helped by peso weakness during the recession -- rising 104.2% year-on-year in January, according to the Mexican Automotive Industry Association (AMIA). The Economy Secretariat official who oversees the automotive sector, Ana Ruth Solano, recently stated that output in the sector could rise 20% during 2010 as a whole. While growth may surpass the revised Finance Secretariat forecast and could exceed 4% as manufacturing drives demand recovery, the GOM is likely to seek to maintain international and domestic credibility by remaining relatively cautious in its outlook. (Mexico City)

14. (U) NUEVO LEON, FOURTH HIGHEST TOTAL UNEMPLOYMENT: According to the National Institute of Statistics and Geography (INEGI), the number of unemployed workers (145,547) seeking jobs in Nuevo Leon in the fourth quarter of 2009 was 64 percent higher than the same period in 2008. The National Survey of Occupation and Employment (ENOE) noted that only Coahuila, Durango, and three other states rank higher than Nuevo Leon in rate of unemployment. While Nuevo Leon is 6th highest in unemployment rate, it is the 4th highest in total number of unemployed job seekers, behind the State of Mexico, the Federal District, and Jalisco. In 2008, Nuevo Leon gained a net total of 14,147 jobs (a number deeply affected by the 32,391 jobs lost in December 2008). In 2009, the state lost a net total of 25,396 jobs. (Monterrey)

15. (U) SECURITY AFFECTING JOB CREATION: Companies did not create between 40,000 and 50,000 potential jobs in Nuevo Leon in 2009 due to security concerns and now face the prospect of a loss of 70,000 more in 2010 according to Marcelo Canales Clariond, president of the Mexican Employers Federation in Nuevo Leon (Coparmex). He estimated that the cost of additional corporate security in Nuevo Leon has cost the nation 2-3 percent in GDP gains. (Monterrey)

16. (U) NUEVO LEON EXPENDITURES EXCEED 2009 BUDGET: Nuevo Leon exceeded its State Expenditures Budget for 2009 by US\$631 million according to the Fourth Quarter Public Account of 2009. The state government overshot its US\$3.3 billion budget in 2009 in every expense category. Public administration funds, which include government salary increases, were US\$116 million (108 percent) over budget. In contrast, public security funds were only allowed to spend US\$1.2 million (1 percent) more than allocated despite the deteriorating security situation. (Monterrey)

17. (U) FUNDS FOR PUBLIC SAFETY LEFT UNUSED: The Nuevo Leon State Government was allotted US\$20.5 million in federal funds in 2009 by the Contribution Fund for Public Safety (FASP) according to the

National Public Security System, but only spent US\$12.2 million. Similarly, the municipalities of Monterrey, San Nicolas, Apodaca, Escobedo, and Santa Catarina did not use any of the federal funds allotted in 2009 for public security, while Guadalupe used 0.22 percent and San Pedro used 50 percent. On February 11, in response to criticism, the mayors of the Monterrey metropolitan area blamed the federal and state governments for delaying the delivery of the Grants for Municipal Public Security (Subsemun) for 2009. (Monterrey)

-----  
TRADE AND INVESTMENT  
-----

18. (U) WIDOWS AT PASTA DE CONCHOS SUE GRUPO MEXICO IN ARIZONA: On February 19, three of the widows of 65 miners killed in a mine explosion at the Pasta de Conchos mine in 2006 have brought a lawsuit against Grupo Mexico and two of its wholly-owned subsidiaries in Phoenix, Arizona. The explosion that collapsed the mine and trapped the workers occurred on February 19, 2006. The miners' widows cited their failure to get the Mexican courts to take their case seriously for four years and also claimed to fear for their lives for their protest. (Mexico City)

19. (U) FDI FLOWING INTO NUEVO LEON: On February 10, the U.S.-based HEB supermarket chain announced a US\$41.6 million investment in four new stores in San Pedro, Juarez, and Zuazua, Nuevo Leon. Construction began on the first of four stores in December 2009. Meanwhile on February 12, Othon Ruiz Montemayor, Nuevo Leon's Secretary of Economic Development, announced that Japan's NGK Insulators will continue in its plans to invest US\$244 million on a manufacturing plant for diesel particle filters in Monterrey in 2010. The company purchased land and built a warehouse before construction was postponed in 2009 due to the economic crisis. Work on the plant will continue in the second-half of 2010 and will ultimately create 650 jobs. (Monterrey)

-----

-----

¶10. (U) MEXICO TO STUDY REALIGNING TAX SYSTEM TO ENCOURAGE GREEN PURCHASES: Green taxes, in conjunction with fiscal environmental reforms, can help reduce unemployment according to a study on green taxes done by the Public Finances Research Center of the lower house. Finland, Sweden and Denmark, where the reduction of labor taxes and social security contributions helped with income redistribution of companies committed to the environment, and Brazil and Colombia where tax incentives have been created to support green energy use, can serve as models for Mexico during its green tax policy development phase. In Mexico, such policy is just developing. Currently Mexico's excise tax on gasoline (IEPS), tax on new vehicles (ISAN), and tax for owning a vehicle (Tenecia) are detrimental to environmental policy. The Finance Secretariat announced that the government of France lent Mexico 185 million euros to support Mexico in its climate change efforts. (Mexico City)

-----

LABOR

-----

¶11. (U) STAND-OFF IN CANANEA CONTINUES: Despite the Mexican court's February 11 ruling against striking miners in Cananea, an estimated 250 of the union's (National Mine and Metal Workers Union - SNTMMSRM) 1,200 members continue to occupy the site. Grupo Mexico has offered severance pay to miners in order to end the stand-off and re-start operations at the mine, but until now only 200 have accepted. Local political support, specifically from PRI, PRD, and PT, for the miners appears to remain strong, and residents fear violence might result from any use of force to displace the miners. The Sonora State Congress and Governor Padres have appealed to the Federal government to intervene but rule out the use of force to resolve the matter. The ruling dissolved Section 65 of the National Mine and Metalworkers Union that had been striking at Cananea for 31 months over health and safety concerns. The situation is complicated by the union's support for Napoleon Gomez Urrutia, in exile in Canada, avoiding arrest in Mexico on corruption charges. Many believe the Mexican Workers Confederation (CTM) will replace the National Mine and Metalworkers Union. As of February 18, the strikers have not been officially informed by Grupo Mexico of the dissolution of the contract. (Hermosillo)

FEELEY